



October 2004 Finance Committee Materials for the ITIB

Information Technology Investment Board October 2004 Finance Committee Meeting Materials

Finance Planning Schedule

In the July 2004 Finance Committee meeting, the Committee requested a schedule for key finance activities. This schedule is shown in Exhibit A. A calendar with specific dates will be developed for each fiscal year and provided to the Committee for planning purposes.

Exhibit A Finance Planning Schedule

Finance Committee Meeting Month	Activity	Fund Type
February	Approval of rates for new services, if necessary, for submission to JLARC for approval at its first meeting after General Assembly session. Review of December actual results.	Internal service funds All funds
April	Approval of rates for new services, if necessary, for submission to JLARC at its May meeting. Review of February actual results.	Internal service funds All funds
June	Approval of VITA's fiscal year operating budget. Approval of annual rate changes for existing services, to be provided to JLARC for approval at its July meeting and to DPB for inclusion in September guidance to agencies. Approval of rates for new services, if necessary, for submission to JLARC at its July meeting. Review of April actual results. Review of VITA operations and governance activities (audit) and new fiscal year audit work plan	All funds Internal service funds Internal service funds All funds All activities
August	Approval of rates for new services, if necessary, for submission to JLARC at its September meeting.	Internal service funds

October	<p>Approval of budget amendments for submission to DPB for general funds.</p> <p>Review of prior fiscal year results.</p> <p>Approval of rates for new services, if necessary, for approval at its November meeting.</p>	<p>General funds</p> <p>All funds</p> <p>Internal service funds</p>
December	<p>Approval of rates for new services, if necessary, for submission to JLARC at its first meeting after General Assembly session (unless special January meeting is held).</p> <p>Review of October actual results.</p>	<p>Internal service funds</p> <p>All funds</p>

The Board will be asked to approve a motion regarding activities that come due between Finance Committee meetings where it is impractical to assemble the Committee for approval.

September 2004 JLARC Submission for Revised and New Service Rates

VITA submitted a request to JLARC on September 22, 2004 to approve changes to four of its existing legacy rates and to approve rates for seven new services. The net annualized impact of the legacy rate changes on VITA customers is \$1 million, primarily as a result of shortfalls in COVANET and Router Services revenues. Of the \$1 million additional cost, approximately \$0.7 million applies to in-scope agencies.

The COVANET shortfalls are resultant from the 2003 contract savings that were passed through to VITA customers. This resulted in lower revenues to VITA that did not cover VITA's fixed costs. Increased demands on VITA's network coupled with the increased emphasis on business continuity prompted additional expenses for router equipment; these additional expenses have created the increase proposed for the Router Services rate.

VITA's rate proposal also included four new rates for services that are currently provided. Of these four, three are services for which VITA has never charged its customers. The fourth service utilized an existing rate to charge our customers; to more accurately reflect actual costs, a new rate has been developed for this service. These rates will result in an additional \$1.1 million in revenues to VITA on an annual basis.

Three new rates for new services not previously provided by VITA were proposed to JLARC. Server Disk Storage services will provide large disk storage devices that can be shared by multiple applications and customers. Oracle Financials services will allow VITA to develop a shared services environment for those agencies running Oracle Financials today. Government to Government Enterprise Services Interface (GESI) will facilitate access to and data retrieval from multiple systems as required by Social Services workers in local government offices. These new services will provide an estimated \$1 million in annual revenues to support related costs.

VITA finance staff is working with JLARC analysts to provide more detailed information in response to JLARC questions. (The detailed submission worksheet is shown at Exhibit B.)

On a related note, JLARC is establishing a rates subcommittee that will appointed at their October 12 meeting. The subcommittee members will be Delegate Leo C. Wardrup, Jr. (chair), Delegate Johnny S. Joannou, and Senator Walter A. Stosch. VITA's rate request will

be considered by the subcommittee later this month and recommendations made to the full Commission at its November 8 meeting.

The Board will be asked to approve the September 2004 JLARC submission.

Proposed Amendments to the 2004-06 Biennial Budget

VITA has prepared eight budget amendments for consideration by the ITIB for submission to the Department of Planning and Budget. These amendments provide key support for critical VITA initiatives and were submitted for review and approval to the Secretary of Technology on September 24, with an update on October 5. The final list of budget amendments is summarized in Exhibit C. A detailed list is at Attachment 1.

Exhibit C 2005 VITA Budget Amendments Summary (Includes funding requirements for FY 2005 and FY 2006)

Priority	Title/Description	Total Biennial Funding Req'd (\$ in Millions)
1	Relocate VITA data center and offices to secure and flexible facility	3.20
2	Enhance support of VGIN – update base mapping and central address file	4.59
3	Build incident management capability to prevent/contain cyber attacks	1.57
4	Enhance IT strategic planning, project mgt performance & decision making	3.14
5	Expand E-Government, including online services for citizens and business	2.79
6	Build comprehensive central planning capacity for major IT projects	7.00
7	Support small agency desktop services	1.04
8	Fund transition costs of incoming administration	.35
	TOTALS	\$23.68

Note: Priority 1 will be discussed in executive session.

A proposed letter for the Board to transmit the budget amendments is at Exhibit D.

The Board will be asked to approve the proposed amendments and transmittal letter for submission to the Department of Planning and Budget on October 13, 2004.

Exhibit B
September 2004 JLARC Rates Submission Detail

Proposed New Rates and Rate Changes as of	09/20/04
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Proposed Rate Changes - Computer Services									
Billing Element Name	Rate Basis	Current Rate	Projected Annual Revenue @ Current Rate	Proposed Rate	Percent Change in Rate	Projected Change in Revenue	Projected Annual Revenue @ Proposed Rate	Projected Annual Expenses (Target)	Fund Balance as of June 30, 2004
IBM Tape Storage	Per Megabyte	\$0.000925	\$1,145,685	\$0.00153	65.4%	\$749,340	\$1,895,025	\$1,887,085	(\$4,015,381)
IBM Disk Storage	Per Megabyte	\$0.16	\$3,495,996	\$0.100	-37.5%	(\$1,310,999)	\$2,184,998	\$2,149,992	\$4,363,911

Proposed Rate Changes – Telco									
Router Service	Per router port	\$97.75	\$177,123	\$301.00	207.9%	\$368,289	\$545,412	\$545,134	(\$1,564,511)
Covamet	Per circuit	7.90%	\$15,537,600	15.50%	96.2%	\$1,180,858	\$16,718,458	\$16,704,120	(\$29,611)
Aggregate Impact of Legacy Rate Changes						\$987,488			

Proposed New Rates for Existing Services						
Billing Element Name	Rate Basis	Proposed Rate	Projected Monthly Usage (Volume)	Projected Annual Revenue @ Proposed Rate	Projected Annual Expenses (Target)	
EBARS Tape Backup	Per Megabyte	\$0.00052	80,960,870	\$505,196	\$505,187	* Currently charging IBM Tape Usage Rate
EBARS Tape Storage	Per Megabyte	\$0.0003	80,000,000	\$288,000	\$287,978	
Tape Vaulting	Per Megabyte	\$0.00034	54,000,000	\$220,320	\$217,396	

ACE Server (Fobs)	Per Key Fob user	\$3.73	1,420	\$63,559	\$67,104
Total New Revenue from Existing Services				\$1,077,075	

Proposed New Rates for New Services					
Server Disk Storage	Per Megabyte	\$0.0021	500,000	\$12,600	\$20,393
Oracle Financials	Per User/Month	\$124.62	621	\$928,668	\$912,199
GESI - 200 users	Per User/Month	\$34.00	200	\$81,600	\$81,608
GESI - 500 users	Per User/Month	\$14.07	500	\$84,420	\$84,411
GESI - 1,000 users	Per User/Month	\$7.62	1,000	\$91,440	\$91,418
GESI - 2,000 users	Per User/Month	\$4.39	2,000	\$105,360	\$105,432
Total New Revenue from New Services				\$1,025,688	

** based upon GESI - 500 users. (Will vary with user base.)

Exhibit D
Proposed Board Transmittal Letter for 2004 – 2006 Biennial Budget Amendments

October 13, 2004

The Honorable John Bennett
Secretary of Finance
Richmond, Virginia

Dear Secretary Bennett:

On behalf of the Information Technology Investment Board (ITIB), I am pleased to convey to you the Information Technology Investment Board's recommended amendments to the 2004-06 biennial budget for the Virginia Information Technologies Agency (VITA).

These amendments were presented to the Board by VITA's leadership at our October 13, 2004, meeting. As VITA's governing body, comprised of appointees of both the Governor and General Assembly, members are well aware that accommodating the financial requirements of a new, highly visible agency can present additional challenges in the complex exercise of crafting a balanced state spending plan that at the same time sets a clear, appropriate direction for state government. Bearing this in mind, we believe we are providing a conservative, but proactive, approach to obtaining funding for the state's most critical information technology needs.

We are pleased to also inform you that our amendment proposals reflects the decisions made by the Secretary of Technology in his review of VITA's initial amendment brief submission. The Board is committed to actively supporting these funding requirements described in VITA's October 13 detailed submission to the Department of Planning and Budget. In that regard, consistent with our mandate to direct Virginia's information technology operations, we respectfully request the opportunity to participate in the Executive Branch's consideration of these amendments in developing the 2005 Budget Bill.

We look forward to working with you and other administration representatives in furthering our mutual objective to transform the provision of information technology in the Commonwealth.

Sincerely,

Dr. Mary Guy Miller
Vice-Chair

cc: The Honorable Mark Warner
 The Honorable Eugene Huang
 The Honorable William H. Leighty
 The Honorable Richard D. Brown
 The Honorable Lemuel Stewart, CIO

Proposed Audit Charter

The Finance Committee has approved a draft audit charter outlining the audit function at VITA. It is recommending that the audit function report directly to the ITIB Finance Committee with day to day operational responsibility resting with the CIO. The proposed charter is at Exhibit E. (A copy has been previously provided to all Board members.)

The Board will be asked to approve the proposed charter, authorize recruitment of the audit director, increase the Finance Committee by two Board members and rename the Committee as a result of the additional audit responsibilities.

Exhibit E Proposed VITA Audit Charter

PROPOSED INTERNAL AUDIT DEPARTMENT CHARTER

MISSION AND SCOPE OF WORK

The mission of the internal audit department is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The scope of work of the internal audit department is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- The agency's control processes are adequate and functioning as intended.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's control process.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.

Opportunities for improving management control, profitability, and the organization's image may be identified during audits. They will be communicated to the appropriate level of management.

ACCOUNTABILITY

The audit director, in the discharge of his/her duties, shall be accountable to the Information Technology Investment Board (ITIB) Finance and Audit Committee, and report on a daily basis to the Chief Information Officer of the Commonwealth (CIO). Both the CIO and the ITIB Finance and Audit Committee will be involved in personnel decisions concerning the audit director. Audit director duties include the following:

- Execute the annual audit workplan.
- Periodically provide information on the status and results of the annual audit plan and the sufficiency of department resources to accomplish the workplan.
- Provide annually an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks.

- Report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit.)
- Arrange for an independent, full-scope quality assurance review of the internal audit department's program and operations at least once every five years.
- Annually review overall VITA operations and governance.
- Perform audits as requested by the Finance and Audit Committee.
- Assist the Finance and Audit Committee with fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the VITA process for monitoring compliance with laws and regulations and the code of conduct.

INDEPENDENCE

The internal audit department can be independent only when the department can work freely and objectively. Independence, in fact and in appearance, permits the internal auditor to render the impartial and unbiased judgments essential to the proper conduct of any internal audit.

To provide for the independence of the internal auditing department, its personnel report to the audit director, who reports to the CIO and ITIB in a manner outlined in the above section on Accountability. It will include as part of its reports to the CIO a regular report on internal audit personnel.

The audit director shall be informed immediately of all instances where a member of the department believes that independence, in fact or in appearance, has been impaired.

RESPONSIBILITY

The audit director and staff of the internal audit department have responsibility to:

- Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the ITIB Finance and Audit Committee for review and approval as well as periodic updates. The work plan should indicate the projected allocation of hours to each audit area, as well as to areas such as administrative, vacation, continuing education, etc. Because issues will arise during the normal course of business, the annual plan shall include time for management requests and special projects, and proactive requests for assistance will be encouraged.
- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the CIO.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Evaluate and assess significant merging/consolidating functions and new or changing services processes, operations, and control processes coincident with their development, implementation, and/or expansion, to ensure that adequate controls are incorporated in the system, a thorough testing of the system is performed at appropriate stages, system documentation is complete and accurate, and the intended purpose and objective of the system implementation or modification has been met. The audit director shall ensure that the level of participation in these projects does not affect the department's responsibility for evaluating these processes or systems during future audits nor compromise its independence when performing such audits.
- Issue periodic reports to the CIO and the ITIB Finance and Audit Committee, summarizing results of audit activities.
- Enter all audit recommendations into an audit tracking system that will monitor the response by management to the recommendations, and address audit recommendations made by the Auditor of Public Accounts, any other external auditors, and VITA's internal audit department.
 - On a quarterly basis, management will report to the internal audit department on the status of each recommendation.
 - Annually, the last quarterly report from the audit tracking system will be presented to the ITIB Finance and Audit Committee. Should management not agree with a recommendation, it will

nevertheless be entered into the audit tracking system. The Finance and Audit Committee will then hear the recommendation, and then either direct management to respond to the comment or direct the audit director to delete the comment from the audit tracking system.

- Once management represents that a recommendation has been implemented, it will remain in the quarterly reports until the audit director specifically releases the comment through another audit report or some other acceptable means.
- Keep the CIO informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the CIO.
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify the CIO of the results.
- Review periodically with general counsel legal and regulatory matters that may have a material impact on the entity's financial statements, compliance policies and programs.
- Coordinate the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.
- Provide reports and information to, and as requested by, the Finance and Audit Committee of the Information Technology Investment Board.

AUTHORITY

The audit director and staff of the internal audit department are authorized to:

- Have unrestricted access to all functions, records, property, and personnel. The CIO has endorsed this right and has resolved that the scope of internal audit activities not be restricted by actions of management.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization.

The audit director and staff of the internal audit department are not authorized to:

- Perform any operational duties for the organization or its affiliates.
- Initiate or approve accounting transactions external to the internal auditing department.
- Direct the activities of any organization employee not employed by the internal auditing department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

STANDARDS OF AUDIT PRACTICE

The internal audit department will meet or exceed the *Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors.

Proposed VITA 2005 Budget Amendments Detail

Priority	Short Title	Explanation of Rationale for Request	Contingency(ies)	FY 2005 GF (\$ in Millions)	FY 2006 GF \$ in Millions)
1	Relocate VITA/State Data Center to safe, secure, and efficient workspace	<p>The Richmond Plaza Building (RPB) is currently the central data center for consolidated servers for VITA. The data center houses the state's mainframe, servers, staff, network, and security equipment in support of critical state services and applications. VITA seeks a data center infrastructure solution that supports between 99.982 and 99.995 availability. Further, the RPB's landlord is demanding that, upon expiration of the current lease at the end of December 2004, the minimum duration of the new lease be ten (10) years. DGS indicates that they will not approve a ten year lease; it is also not in VITA's interest to enter into a lengthy lease at an aging facility that is not designed, or easily adapted, to accommodate continuing technology advances and modern workspace requirements. Moving the data center and offices to a fully functional location is requested for the following reasons:</p> <ul style="list-style-type: none"> ○ <i>Security</i> -- The RPB has been identified as a security risk due to its location and physical location. Data security is also a major issue—VITA operates major state IT systems supporting the Departments of Social Services, Motor Vehicles, Taxation, and the Board of Elections, to name a few—in an antiquated physical plant. ○ <i>Infrastructure</i> -- The RPB requires extensive and costly upgrades to its electrical and mechanical systems to allow VITA to meet its service expectations. Investing in the current facility is not cost-effective and some deficiencies cannot be corrected even with unlimited funding, an unrealistic scenario. Additionally, the difficulties with the present landlord introduce the potential for increased jeopardy due to less attentive maintenance of utilities services, climate control systems, etc. ○ <i>Flexibility</i> -- As VITA grows and integrates staff from other agencies, it is not certain that adequate additional space will be available in the RPB. The physical layout of the building also does not lend itself to flexibility in redesigning office space to enhance intra-agency communication and teamwork or maximize efficiency. <p>Maintaining the status quo by remaining at RPB and signing a new long term lease is wholly inconsistent with the Governor's integrated real estate portfolio management system, as directed in Executive Order 75 (June 2004) and its implementing policies and procedures (September 2004).</p> <p>Four PPEA proposals are currently under consideration by VITA. The outcome of this process, if a private partner is ultimately selected, will impact VITA's facilities planning. However, that decision is not expected until the fourth quarter of FY 2005 at the earliest, and current conditions demand that the agency continue vigorously pursuing an immediate alternative to its untenable facilities situation.</p>	Seek alternative funding (PPEA, homeland security)		3.20

Priority	Short Title	Explanation of Rationale for Request	Contingency(ies)	FY 2005 GF (\$ in Millions)	FY 2006 GF \$ in Millions)
		<p>There are several cost components related to the relocation: (1) one-time funding is required in the current biennium to perform space and logistical planning, provide expert advice on data migration, move staff and existing equipment, and establish redundancies and backup during the period of transition (approximately \$1.5 million); (2) increased appropriations are needed to support the cost of financing, during this biennium and the next two, data center equipment and office furniture purchases required at the new site (purchase costs=approximately \$8.1 million; annual payment assuming five [5] years at five [5] percent is about \$1.7 million); (3) a source of funding the significant rent increases at the new site attributable to the landlord's amortized costs of data center construction (preliminary estimate=\$16.8 million) must be identified.; and (4) VITA must budget for any increases in ongoing operational costs that are associated with the relocation. This amendment will address the first two elements of cost.</p> <p>NOTE: Budget estimates are still evolving as information from the landlord, the Office of the Attorney General, the Department of General Services, and backup services provider SunGuard continues to be provided to and evaluated by VITA staff. Accordingly, the amount shown should be considered an estimate subject to change prior to the October 13 final submission.</p>			
2	Enhance support of VGIN –base mapping and central address file	<p>A one-time \$9.7 million grant from the Wireless E-911 Fund in 2001 created the Virginia Base Mapping Program (VBMP). The foundation of the VBMP is a seamless, accurate digital photo <i>base map</i>, setting a common standard that ensures GIS data sharing for state and local, public and private business applications can be efficiently and consistently applied anywhere in Virginia. Uses include Homeland Security and E-911 emergency response, permit tracking, natural resource protection, transportation planning, and economic and labor analyses.</p> <p>One of the realities of all base maps is they immediately begin to age. Ongoing urbanization and other changes in land use and land cover—hurricanes in particular—continually decrease the accuracy of these maps for their most critical uses. By 2006, the VBMP products will be four years old, a point at which, in the absence of a VBMP update, localities will once again be forced to individually consider their own aerial photography—at a premium of 35% to 50% over the cost of a statewide effort. All state and local users would also lose the standard foundation they have begun to use to build and share many other important data layers. This request covers the aerial photography, associated processing, quality control, and staffing for project management and product distribution/support.</p> <p>Map-accurate street address locations are useful for many state and local applications but absolutely essential for emergency response, Homeland Security, and other public safety applications. Every local government in Virginia is involved in individual activities to develop and maintain its own street address file. In the past, these efforts were uncoordinated on a statewide basis, with duplicate or overlapping efforts creating incompatible files that were at best difficult to share or coordinate with surrounding localities or state agencies. Through a one-time Wireless E-911 Fund grant, VITA is working with localities to complete the first consistent, <i>statewide geospatial address file</i>, including every highway, street, road, and even driveways over 200 feet</p>	<p>Reprioritize VITA activities to cover expense (<i>adverse impact on other services</i>)</p> <p>Rely on local government and private sector to update base map (<i>increased costs to customers w/ inferior product</i>)</p>		4.59

Priority	Short Title	Explanation of Rationale for Request	Contingency(ies)	FY 2005 GF (\$ in Millions)	FY 2006 GF \$ in Millions)
		long. Resources will be required (two staff plus overhead) to maintain the currency and accuracy of this valuable statewide asset, with monthly updates available to all user agencies.			
3	Create incident management capability for threats to state data	<p>Creating an Incident Management program in VITA is required to comply with these mandates in the Code:</p> <p>§ 2.2-603. Authority of agency directors. G. (Effective January 1, 2005) The director of every department in the executive branch of state government shall report to the Chief Information Officer as described in § 2.2-2005, all known incidents that threaten the security of the Commonwealth's databases and data communications resulting in exposure of data protected by federal or state laws, or other incidents compromising the security of the Commonwealth's information technology systems with the potential to cause major disruption to normal agency activities. Such reports shall be made to the Chief Information Officer within 24 hours from when the department discovered or should have discovered their occurrence.</p> <p>§ 2.2-2009. Additional duties of the CIO relating to security of government database. E. (Effective January 1, 2005) The CIO shall promptly receive reports from directors of departments in the executive branch of state government made in accordance with § 2.2-603 and shall take such actions as are necessary, convenient or desirable to ensure the security of the Commonwealth's databases and data communications.</p> <p>Commonwealth computer incidents, including web site attacks, attempted unauthorized access to databases, and malicious corruption of programming code, have increased in number and severity over the past years. Failure to prevent or to contain intrusions can potentially result in the inability to respond to emergencies. In addition, cyber attacks can result in financial loss, noncompliance with state and federal statutes, degraded customer service, and loss of public confidence.</p> <p>The speed with which VITA reacts to hacking incidents and active viruses means the difference between having major or minor damage to the Commonwealth technology infrastructure. Many times a small change in the security protection will thwart a particular virus or hacker if applied in time. It is imperative then, that an Enterprise Security Operations Center (ESOC) be established as soon as possible to detect and prevent the intrusion in order to limit its effect on the Commonwealth's technology infrastructure.</p> <p>This amendment requests staff and funding for the effective operation of the ESOC and for upgrading and purchasing equipment to be used for the monitoring, collection and analysis of information to protect the enterprise from these internal and external cyber threats. The state has no current program to respond to these types of incidents. This request is a continuation for the program that will be started with FY 2005 VITA start up funds, when made available by the state.</p>	<p>Reprioritize VITA activities to cover expense (<i>adverse impact on other services</i>)</p> <p>Evaluate fee for service approach (<i>impact on customers' resources</i>)</p>		1.57
4	Enhance IT strategic planning and project management performance and	Several Code-driven IT project management tools require additional funding to provide a solid infrastructure, ensure effective decision making, measure performance, and afford adequate oversight. This amendment encompasses three specific areas: enterprise architecture (EA); independent verification and validation (IV & V); and integrated IT portfolio and project	Reprioritize VITA activities to cover expense (<i>adverse impact</i>	1.73	1.41

Priority	Short Title	Explanation of Rationale for Request	Contingency(ies)	FY 2005 GF (\$ in Millions)	FY 2006 GF \$ in Millions)
	decision making	<p>management.</p> <p>The Code directs that policies, standards and guidelines [which are driven by the <u>enterprise architecture</u>] be “formulated and promulgated...to support a unified approach to information technology across the totality of state government...” Also, the January 2003 JLARC Report – Review of Information Technology Systems Development -- recommended the development of a statewide information technology architecture and a related set of systems standards. These will set the strategic direction for technology across the entire executive branch of the Commonwealth. EA compliance is mandated through the use of Information Technology Resource Management policies and standards. The state’s current enterprise architecture is inadequate to guide the technology transformation process and to govern the Commonwealth’s use of technology. Whether or not VITA’s transformation plans include a PPEA solution does not impact the absolute need for establishing the enterprise architecture.</p> <p>The Code assigns specific responsibilities to the IT Investment Board (ITIB) and VITA for project oversight. Implementing these responsibilities, the Commonwealth Technology Management (CTM) Policy and the Commonwealth Project Management (CPM) Standard require IV&V and dashboard reporting on all major IT projects in the Commonwealth. VITA currently lacks the staffing and internal processes to adequately support these responsibilities for project monitoring, oversight, and standards enforcement. Implementation of an <u>Independent Verification & Validation (IV&V) program</u>, along with an enhanced major IT project oversight and dashboard reporting process, are necessary to provide the CIO and the IT Investment Board (ITIB) the timely, verified information essential to making enterprise investment decisions and to adequately protecting Commonwealth technology investments. This budget request supports establishment of two positions to implement the required improvements.</p> <p>Other specific responsibilities for technology investment management assigned by the Code to the ITIB, the CIO, and VITA include approval of technology investments and establishment of technology and project management policies, standards, and processes. Systems now in use do not have the functionality necessary to effectively manage enterprise projects and programs. Current efforts to manage the existing project portfolio are very time consuming, are performed manually through a series of extracts from non-integrated databases from various in-house developed systems, and lack the analytic capabilities necessary to perform true program and portfolio management. This budget request includes acquisition of <u>integrated IT Portfolio and Project Management</u> software tools and the associated hardware, consulting, and staff needed to support and execute Commonwealth technology investment management.</p>	<p><i>on other services)</i></p> <p>Evaluate fee for service approach (<i>impact on customers’ resources; considered inappropriate for governance activity)</i></p>		
5	Expand E-Government, including online services to citizens and business	The VITA E-Government Strategy was developed to meet the Council on Virginia’s Future Strategic Goal of “increasing the percentage of eligible state services available electronically to 90% by 2008”, and the goal of the Governor and CIO to be the number one digital state, as reflected in the Center for Digital Government’s Digital State Survey and Best of the Web surveys. Many of the individual initiatives associated with the E-Government strategy will result in revenue production and cost savings for the Commonwealth. Additional staffing is needed to build the	Reprioritize VITA activities to cover expense (<i>adverse impact on other services)</i>	1.35	1.44

Priority	Short Title	Explanation of Rationale for Request	Contingency(ies)	FY 2005 GF (\$ in Millions)	FY 2006 GF \$ in Millions)
		<p>technology infrastructure, develop shared applications, and provide ongoing support to the increased base of applications as they are developed.</p> <p>This request includes the purchase of SharePoint Portal Server 2003, which will be the new Portal infrastructure for VITA. This infrastructure will replace the existing Oracle Portal software, and will position VITA to integrate all of its internal and external applications into the Portal technology. This product will also integrate with workflow management software (Microsoft BizTalk) and introduce it into required applications.</p> <p>Since its inception, the Virginia Information Providers Network (VIPNet) has assisted Virginia government entities in developing, implementing, and promoting hundreds of online services for citizens and businesses. Those services have helped to improve the lives of Virginians by making government more accessible, saving users time and money through the convenience of the online transactions, and improving government business processes while reducing their operating costs. VIPNet is operated solely through revenue generated by “electronic access” fees for business services established by the state. However, VIPNet’s primary funding source, the online sale of driver records to insurance companies, has been seriously depleted by more than \$2 million.</p> <p>The creation of new, fee-based online services and increases to the fees for existing services have proven successful in many other state portals, where businesses have demonstrated a willingness to reap productivity gains by paying a nominal convenience fee. While these alternative funding sources have helped underwrite e-government, supplementing VIPNet’s funding base will enable the portal to continue to provide existing online services and to implement desired e-government. The requested general fund appropriation of \$1.8 million for the biennium will also strengthen the state’s business relationship with its private partner—which has absorbed revenue diversions to date through decreases in its annual compensation—and thus avert jeopardizing the portal’s operations.</p>	Evaluate fee for service approach, e.g. transaction processing fees or convenience fees (<i>impact on customers’ resources, potential reduction in effectiveness of e-government</i>))		

Priority	Short Title	Explanation of Rationale for Request	Contingency(ies)	FY 2005 GF (\$ in Millions)	FY 2006 GF \$ in Millions)
6	Build comprehensive central planning capacity for major IT investment projects	<p>VITA's experience in working with the Virginia Information Technology Investment Board (ITIB) to review technology investment projects (including recommending funding priorities) has revealed some significant shortcomings that, if proactively addressed, can ensure the most cost effective employment of funding provided for major IT projects.</p> <p>VITA and the Board have found that most agencies do not have the resources needed to conduct effective initial analyses of business needs and potentially useful technologies. The preliminary plans and cost estimates they have provided vary widely in level of detail, definition of scope, business justification, and the agencies' own confidence in the presented data. To strengthen major IT project planning to meet intended objectives, these steps are recommended:</p> <ul style="list-style-type: none"> ○ Central funding for the project planning phase of major IT projects should be established separately from funding for project development. This would create a two-stage process that parallels the Virginia Department of Transportation's process for road construction projects. ○ Upon the recommendation of the CIO, the ITIB should consider awarding planning funds to proposed major IT projects meeting specified criteria. Agency and VITA staff would use awarded funds to conduct the detailed analyses necessary to produce appropriate scope and cost estimates, in accordance with CIO/ITIB guidance. ○ The current Virginia Technology Infrastructure Fund (VTIF) should be the vehicle for awarding planning funds. A reasonable sum for this purpose would be included in the VTIF, to be refreshed annually* via the Appropriation Act, with the ITIB reporting on its use and results as part of its annual September 1 report to the Governor and General Assembly money committee chairmen. ○ General funds added to the VTIF for planning would also afford the state the opportunity to readily leverage nongeneral fund sources appropriate for planning activities, especially for those agencies with significant federal grants that require proof of state match as a condition of award. ○ Once a project is recommended as a "priority project", VITA and the ITIB recommend that the development funds for each major IT project be included in the Governor's Executive Budget and the Appropriation Act. Showing the funding separately, regardless of funding source, acknowledges and underscores the use of project budgets as a key measure of project performance. <p>Instituting these project planning improvements will significantly reduce risks by providing early, more accurate information on project feasibility, costs, and likelihood of success. Better up-front information also improves the ability of decision-makers at all levels to make informed decisions about the relative strategic value and beneficial impacts of projects competing for scarce resources. Costly IT systems debacles experienced by the state can be prevented from occurring in the future by making a reasonable investment in rigorous planning.</p>	<p>Continue relying on current IT project planning and funding mechanisms (<i>major IT project planning remains inconsistent and inadequate</i>)</p> <p>Advocate for language earmarking part of each projects' funding for planning (<i>does not encourage interagency collaborative planning</i>)</p> <p>Seek funding from the VTIF for this purpose (<i>little prospect of fund growth in the VTIF for several years</i>)</p>		7.00

Priority	Short Title	Explanation of Rationale for Request	Contingency(ies)	FY 2005 GF (\$ in Millions)	FY 2006 GF \$ in Millions)
		<ul style="list-style-type: none"> <i>Funding in the VTIF is expected to grow considerably in the future as agency and state savings in IT are identified, certified by the APA, and transferred into the Fund. However, in the current biennium most, if not all, savings realized will be retained by agencies as an offset to VITA's temporary 5.52% administrative fee charged for integration services, per executive and legislative agreement. When shared services billing rates are established for all IT services and products, the VTIF may accumulate sufficient resources to fund both planning and project development activities without resorting to general fund supplements.</i> 			

7	Support small agency desktop services	<p>This amendment will fund the provision of desktop/LAN services for the small agencies transitioned to VITA support. These agencies are located throughout the Commonwealth, with the greatest concentration in the greater Richmond area. They use a combination of numerous network types, running many and varied hardware and software products.</p> <p>The support of small agencies will be provided in multiple ways:</p> <ul style="list-style-type: none"> ○ <i>Remote Management</i> – through a combination of tools, CSS DEUS staff are able to remotely connect to and manage PCs and servers throughout the Commonwealth. ○ <i>On-Site Support</i> – Staff travel to agency locations in the greater Richmond area. ○ <i>Remote On-Site Support</i> – through the use of a partner, Dyntek, a resource can be dispatched to provide on-site support as needed. <p>Support staff will consist of 5 contractors, responsible for approximately 600 PCs and 50 servers. This equates to a 1 to 150 ratio for PCs, and 1 to 50 for the servers. These ratios are consistent with Gartner recommendations for supporting dispersed, non-standardized computing environments. Support staff are each currently averaging 61 support calls a month from these agencies.</p> <p>As part of transition/standardization efforts, VITA staff have dramatically changed small agency computing environments. These changes have included server operating system upgrades, e-mail changes, desktop operating system upgrades, and numerous security configuration changes. The skill set necessary to support the new environment is sometimes different from the previous support skill set. Most small agencies have not formally assigned staff to support their environments, and due to the number of changes that have occurred, informal support from non-IT resources within the agencies is no longer an option. Where the agency had transitioning employees, staff were trained on the upgraded standards; where the agency had no transitioning staff, VITA became the support mechanism.</p> <p>To ensure the smooth operations of the small agencies it is imperative that VITA receive additional funding to continue providing the desktop/LAN support for the remainder of this biennium. It is anticipated that the imminent establishment of shared services rates will reduce to some extent the continuing need for state funding support in the out years. Providing additional state funding to the affected small agencies should also be considered by decision makers as an alternative to this proposal. If start up funds are made available by the state in FY 2005, this budget request will be approximately halved (i.e. FY 2006 only).</p>	Evaluate fee for service approach, charging for time and materials <i>(impact on customers' resources)</i>	.53	.51
8	Fund new administration IT transition costs	<p>In support of the Governor-elect, Lt. Governor-elect, and Attorney General-elect, every four years an office is established to temporarily house approximately 75 new administration transition staff. VITA is responsible for providing voice, desktop, network, office equipment (fax machines, copiers, printers, etc.) and technical support for this office while continuing to support the existing administration. VITA is also responsible for relocating these services from the temporary office space into the permanent office space, upon turnover of administrations. Equipment procurements, such as desktop computers, in support of transition will be used throughout the four year term of the incoming administration. DPB's Budget Operations Manager suggested that these costs be</p>	Reprioritize VITA activities to cover expense <i>(adverse impact on other services)</i>		.35

		included in VITA's FY 2005 proposed amendments to the 2004-06 biennial budget.			
		TOTALS:		\$3.59	\$20.09
		<u>Note on Amendment #1:</u> As discussed with Secretary Huang and the ITIB, cost estimates of the various components of this proposal are still being developed and some cost elements are sensitive while negotiations are ongoing.			
		Language Amendments			
	Remove reference to authority to increase VITA's maximum position level	Item 463. B.2.—Strike language authorizing the Governor to increase VITA's maximum position level, bringing VITA under the Manpower Control Program subsection of the General Provisions (4-7.01.d.2) stating "Positions assigned to programs supported by internal services funds are for reference only and may fluctuate depending upon workload and funding availability."			
	Eliminate DHRM reviews of VITA compensation actions	Item 463. F.1. and 2.--Strike language requiring the Department of Human Resource Management to review VITA's compensation actions and make an annual report of same to the money committees, etc. (<i>NOTE: DHRM supports this revision.</i>)			
	Streamline/improve intergovernmental exchange of VBMP data	Item 466. C.--Expand the definition of VBMP data in the Appropriation Act to include "road centerlines" or other data that is currently developed and supplied by local governments to the VBMP program. A critical requirement would be that any data that is included in the program must meet state standards (including a currency standard - i.e., less than one year old). This process would provide for a single (no overhead) license and would allow government to government data sharing without paperwork.			
	Specify E-911 fund's annual contribution	Item 467. A.—Specify the Wireless E-911 fund's annual contribution to help support the effort and the underlying base map.			
	Conform General Provisions language on procurement approval to Code language	§ 4-5.04 ("Goods and Services") b.1b. and b.1e.—Amend to match the Code requirement that the CIO, not the ITIB, approve procurements for major IT projects. (Corrects error in 2004 Session.)			